

**RAILROAD COMMISSION OF TEXAS
GAS SERVICES DIVISION**

**GAS UTILITIES
INFORMATION BULLETIN**

No. 807



**RAILROAD COMMISSION
OF TEXAS**

**Elizabeth A. Jones, Chairman
Michael L. Williams, Commissioner
Victor G. Carrillo, Commissioner**

**Stephen L. Pitner
Director
Gas Services Division**

November 10, 2006

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Orders were issued in the following dockets:

GUD 9642 STATEMENT OF INTENT FILED BY COSERV GAS TO INCREASE THE RATES IN THE UNINCORPORATED AREAS OF ARGYLE (DENTON COUNTY), CASTLE HILLS (DENTON COUNTY) , ET AL. – *Final Order*.

GUD 9687 CENTERPOINT ENERGY RESOURCES CORP. PETITION TO REVIEW AND ESTABLISH A CITY GATE RATE AND TERMS AND CONDITIONS OF SERVICE FOR HOUSTON PIPE LINE COMPANY – *Final Order*

GUD 9703 STATEMENT OF INTENT FILED BY T & L GAS CO. TO CHANGE RATES IN THE UNINCORPORATED RURAL AREA OF CONROE, TEXAS IN MONTGOMERY COUNTY. – *Suspension Order*

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SECTION 1
NEW APPEALS AND APPLICATIONS FILED

DOCKET NO. -- 9700
CAPTION -- Petition for Review of Atmos Energy Corporation from the Actions of Municipalities Denying a Rate Request and Expedite Motion to Consolidate for the Cities of Bertham, Frost, Grandview and San Saba.
DATE FILED -- November 6, 2006
FILED BY -- John K. Arnold
EXAMINER -- Eugene Montes

DOCKET NO. -- 9707
CAPTION -- Application filed by Enterprise Texas Pipeline L.P. to Report the Acquisition of Facilities from Teppco Crude Pipeline, L.P. and TG Pipeline, L.P.
DATE FILED -- October 1, 2006
FILED BY -- Kathy McCoy
EXAMINER -- Rose Ruiz

SECTION 2

APPEALS AND APPLICATIONS SET FOR HEARING OR PREHEARING CONFERENCE

None at this time.

SECTION 3
STATUS OF PENDING CASES

None at this time.

SECTION 4
NOTICES OF DISMISSAL

None at this time.

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SECTION 5
ORDERS OF THE COMMISSION

BEFORE THE RAILROAD COMMISSION OF TEXAS

STATEMENT OF INTENT FILED BY COSERV GAS TO
INCREASE THE RATES IN THE UNINCORPORATED
AREAS OF ARGYLE (DENTON COUNTY), CASTLE HILLS
(DENTON COUNTY), ET AL.

GAS UTILITIES DOCKET
NO. 9642

FINAL ORDER

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV=T CODE ANN. Chapter 551, et seq. (Vernon 2004 & Supp. 2005). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

1. CoServ Gas Ltd. (CoServ) is a gas utility as that term is defined in the TEXAS UTILITY CODE.
2. CoServ owns and operates gas distribution systems in the following environs areas:

City of Argyle Environs	(Denton County)
City of Frisco Environs	(Collin County)
City of McKinney Environs	(Collin County)
City of Ponder Environs	(Denton County)
City of Prosper Environs	(Collin County)
Subdivision of Castle Hills Environs	(Denton County)
Subdivision of Lantana Environs	(Denton County)
Subdivision of Windmill Farms Environs	(Kaufman County)
3. These systems will be referred to as the CoServ Distribution System.
4. The Railroad Commission of Texas (Commission) conducted administrative review of CoServ=s initial rates in the following dockets:

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GUD 9248, *General Inquiry into Rates Filed by CoServ Gas for Service to Residential and Commercial Customers in and Adjacent to the Castle Hills Subdivision in Denton County, TX.*, filed September 7, 2001;

GUD 9249, *General Inquiry into Rates Filed by CoServ Gas for Service to Residential and Commercial Customers in and Adjacent to the Lantana Subdivision, Denton County, TX.*, filed September 4, 2001;

GUD 9289, *General Inquiry into Rates Filed by CoServ Gas for Service to Residential and Commercial Customers in and Adjacent to Unincorporated Territory known as the Windmill Farms Subdivision Kaufman County, TX also known as the Kaufman County Development District No. 1*, filed March 18, 2002;

GUD 9535, *General Inquiry into the Initial Rates for Customers in and Adjacent to the Frisco Environs, Collin and Denton County Texas*, filed October 11, 2004. Docket concluded by Examiner's March 16, 2005, Letter No. 8;

GUD 9536, *General Inquiry into the Initial Rates for Customers in and Adjacent to the Argyle Environs, Denton County Texas*, filed October 11, 2004. Docket concluded by Examiner's March 16, 2005, Letter No. 8; and

GUD 9537, *General Inquiry into the Initial Rates for Customers in and Adjacent to the McKinney Environs, Collin County Texas*, filed October 11, 2004.

5. The Commission's June 25, 2002, Order in GUD 9294, *Statement of Intent filed by CoServ Gas to Increase Rates in Unincorporated Areas*, approved CoServ's revenue-neutral gas cost recovery mechanism revisions.
6. On August 25, 2004, CoServ filed statements of intent with twenty-five municipalities located generally in the Dallas Metroplex area, seeking increased revenues of \$1,165,525 (7.3% increase), inclusive of gas cost.
7. CoServ reached settlement agreements with twenty-one of the twenty-five municipalities for an increase in system-wide revenue of \$500,000, of which approximately \$214,000 was associated with increases to miscellaneous service charges.
8. The Municipalities of Celina, Lucas, Shady Shores, and St. Paul did not join the Coalition of Cities and CoServ implemented rates by operation of law to customers located within those municipalities.
9. On February 1, 2006, CoServ filed with the Commission a statement of intent to increase its existing environs rates.
10. On February 28, 2006, the Commission suspended the implementation of CoServ's proposed tariff changes for 150 days after the day the rate schedules would otherwise be effective.
11. CoServ's proposed changes result in an approximate \$34,709 decrease to the company's annual revenues from gas service and an approximate \$13,355 (44%) increase in annual revenues from miscellaneous service charges, resulting in an overall annual revenue decrease in the unincorporated areas of approximately \$21,354 (or 2.0%).
12. The environs customers located in the unincorporated areas adjacent to the municipalities of McKinney and Argyle will experience a slight increase in rates of less than 3.0%.

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13. CoServ=s existing rates in environs areas are provided in Table 1:

Table 1: CoServ=s Existing Rates

City of Argyle Environs (Denton County)	Residential: \$9.00 per bill plus \$0.11293 per 100 cubic feet of gas used. Commercial: \$16.00 per bill plus \$0.11293 per 100 cubic feet of gas used. School: \$20.00 per bill plus \$0.0530 per 100 cubic feet of gas used.
City of Frisco Environs (Collin County)	Residential: \$9.00 per bill plus \$1.1668 per 1,000 cubic feet of gas used. Commercial: \$14.00 per bill plus \$1.1668 per 1,000 cubic feet of gas used.
City of McKinney Environs (Collin County)	Residential: \$8.00 per bill plus \$0.13609 per 100 cubic feet of gas used. Commercial: \$18.00 per bill plus \$0.13609 per 100 cubic feet of gas used.
City of Ponder Environs (Denton County)	Residential: \$7.00 per bill plus \$0.14183 per 100 cubic feet of gas used. Commercial: \$16.00 per bill plus \$0.14183 per 100 cubic feet of gas used.
City of Prosper Environs (Collin County)	Residential: \$8.00 per bill plus \$0.36546 per 100 cubic feet of gas used. Commercial customers not otherwise covered by contract rate provisions of TEX. UTIL. CODE ' 103.003: \$8.00 per bill plus \$0.36546 per 100 cubic feet of gas used.
Subdivision of Castle Hills Environs (Denton County)	Residential: \$10.00 per bill plus \$0.1768 per 100 cubic feet of gas used. Commercial: \$21.00 per bill plus \$0.1768 per 100 cubic feet of gas used.
Subdivision of Lantana Environs (Denton County)	Residential: \$7.75 per bill plus \$0.1648 per 100 cubic feet of gas used. Commercial: \$18.00 per bill plus \$0.1648 per 100 cubic feet of gas used.
Subdivision of Windmill Farms Environs (Kaufman County)	Residential: \$9.50 per bill plus \$0.1600 per 100 cubic feet of gas used. Commercial: \$20.00 per bill plus \$0.1600 per 100 cubic feet of gas used.

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14. CoServ proposed that the same block rates approved by the municipalities apply to environs customers to create uniform rates for each customer class across each of CoServ=s systems.
15. CoServ proposed the Commission approve the block rates shown Table 2.

Table 2: CoServ=s Proposed Rates

<u>Residential Environs Sales</u> Customer Charge : \$9.00 per month, plus Volumetric charge: First 0 to 20 Ccf: \$0.19437 per Ccf Next 50 Ccf: \$0.14437 per Ccf All additional Ccf: \$0.09437 per Ccf	<u>Commercial Environs Sales</u> Customer Charge: \$15.50 per month, plus Volumetric charge: First 0 to 300 Ccf: \$0.24436 per Ccf Next 200 Ccf: \$0.19436 per Ccf All additional Ccf: \$0.14436 per Ccf
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16. It is reasonable for the Commission to approve CoServ=s proposed block rates.
17. CoServ=s proposed Miscellaneous Service Fees, as modified, are shown in Table 3:

Table3: CoServ=s Proposed Miscellaneous Service Fees, as Modified

	Name and Description	Amount of Charge
1	<p>Connection Charge During Business Hours</p> <p>During standard business hours, for each reconnection of gas service where service has been discontinued at the same premises for any reason, for the initial inauguration of service, and for each inauguration of service when the billable party has changed, with the following exceptions:</p> <p>(a) For a builder who uses gas temporarily during construction or for display purposes.</p> <p>(b) Whenever gas service has been temporarily interrupted because of System outage or service work done by Company; or</p> <p>(c) For any reason deemed necessary for Company operations</p>	\$65.00
2	<p>Connection Charge After Business Hours</p> <p>After standard business hours, for each reconnection of gas service where service has been discontinued at the same premises for any reason, for the initial inauguration of service, and for each inauguration of service when the billable party has changed, with the following exceptions:</p> <p>(a) For a builder who uses gas temporarily during construction or for display purposes.</p> <p>(b) Whenever gas service has been temporarily interrupted because of System outage or service work done by Company; or</p> <p>(c) For any reason deemed necessary for Company operations</p>	\$ 97.00
3	<p>Field Read of Meter</p> <p>A read for change charge when it is necessary for the Company to read the meter at a currently served location because of a change in the billable party.</p>	\$19.00

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4	Returned Check Charges Returned check handling charge for each check returned to Company for any reason.	\$20.00
5	Charge for Temporary Discontinuance of Service - Residential Whenever service has been temporarily disconnected at the request of the customer, this charge plus the appropriate Connection Charge will be made to reestablish such service for that customer at the same address.	\$ 65.00
6	Charge for Temporary Discontinuance of Service- NonResidential Whenever service has been temporarily disconnected at the request of the customer, this charge plus the appropriate Connection Charge will be made to reestablish such service for that customer at the same address.	\$107.00
7	Charge for Meter Testing The Company shall, upon request of a customer, make a test of the accuracy of the meter serving that customer. The Company shall inform the customer of the time and place of the test and permit the customer or his authorized representative to be present if the customer so desires. If no such test has been performed within the previous four (4) years for the same customer at the same location, the test shall be performed without charge. If such test has been performed for the same customer at the same location within the previous four (4) years, the Company will charge the Meter Test Fee. The customer must be properly informed of the result of any test on a meter that services him.	\$15.00
8	Charge for Service Calls During Business Hours A Service Call Charge is made for responding to a service call during standard business hours that is determined to be a customer related problem rather than a Company or Company facilities problem.	\$26.00
9	Charge for Service Calls After Business Hours A Service Call Charge is made for responding to a service call after standard business hours that is determined to be a customer related problem rather than a Company or Company facilities problem.	\$40.00
10	Tampering Charge No Company Meters, equipment, or other property, whether on Customer's premises or elsewhere, are to be tampered with or interfered with for any reason. A Tampering Charge is made for unauthorized reconnection or other tampering with Company metering facilities or a theft of gas service by a person on the customer's premises or evidence by whomsoever at customer's premises. An additional cost for the cost of repairs and/or replacement of damaged facilities and the installation of protective facilities or relocation of meter are made at cost plus appropriate charges as may be detailed in the Company's Service Rules and Regulations.	\$125.00
11	Credit/Debit Card Payments Charge Bill payments using credit cards, debit cards, and electronic checks (includes third-party transaction fees and administrative costs).	\$3.95 per \$500.00
12	Line Extension and Installation Charges Customers in incorporated areas: Extensions and installation of new mains, service lines, risers, fittings and other appurtenant equipment pursuant to main extension policy in	

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	<p>municipal franchise. Credit for main pursuant to municipal franchise. The customer is responsible for the installation of yard line and yard line risers.</p> <p>Customers in unincorporated areas: Extension and installation of new mains, service lines, risers, fittings and other appurtenant equipment pursuant to line extension policy contained in Rate Schedules 5.2 and 6.2. The customer is responsible for the installation of yard line and yard line risers.</p> <p>* Actual cost of the portion of any extensions exceeding the free extension allowance provided within the line extension policy.</p>	Actual Cost*
13	<p>Construction Crew Charges</p> <p>All labor charges if a construction crew is required.</p>	Actual Cost
14	<p>Construction Costs Charges</p> <p>All other construction charges.</p>	Actual Cost

18. CoServ did not provide information regarding the costs to supporting the Commission's approval of the establishment of an in-house credit/debit card program.
19. The miscellaneous service charge fee known as the Credit/Debit Card Payments Charge is not consistent with the miscellaneous service fees approved by the Commission in GUD 9400.
20. CoServ's customers who make payments over the internet or by telephone through an independent third-party using a credit card are assessed a fee of \$3.95 per \$500.00.
21. It is reasonable for the Commission to approve the assessment of \$3.95 per \$500.00 by an independent third-party to CoServ's customers who choose to make payments using a credit card or debit card.
22. The proposed Miscellaneous Service Fees reflect the actual costs to the utility for providing these services to CoServ's customers and are similar to the miscellaneous service fees approved by the Commission for use by another utility located adjacent to CoServ's system.
23. It is reasonable for the Commission to approve CoServ's proposed miscellaneous service fees, as modified, and as shown in the attached tariffs.
24. CoServ requested Commission approval of a surcharge to recover rate case expenses in the amount of \$42,862.
25. It is reasonable for the Commission to approve rate case expenses in the amount of \$42,862 using \$0.03686 per Ccf over an approximate 12-month period, without interest.
26. CoServ collects fees from some environs customers on behalf of governmental or quasi-governmental entities, such as the Denton County Fresh Water Supply District in the environs of Frisco, the Denton County Fresh Water Supply District in the Lantana Subdivision in Denton County; and the Kaufman County Development District No. 1 in the Windmill Farms Subdivision of Kaufman County.
27. CoServ does not assess municipal franchise fees to environs customers.

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28. It is reasonable for the Commission to approve a purchased gas cost calculation clause that accurately reflects the actual cost of natural gas to the utility.
 29. It is reasonable for the Commission to approve CoServ=s adoption of the Commission=s quality of service rules.
 30. It is reasonable for the Commission to approve CoServ=s adoption of the Commission=s Curtailment Policy.
 31. It is reasonable for the Commission to approve CoServ=s tariff provisions for lost and unaccounted for gas so long as CoServ does not collect more than its actual cost.
 32. CoServ=s Statement of Intent was based upon a test-year of information ending March 31, 2004.
 33. CoServ= proposed tariffs are reasonable, as modified, and as shown as attachments to this Order.
 34. CoServ published notice of its rate change in the *Dallas Morning News* on June 7, 9, 16, and 23, 2006.
 35. On August 2, 2006, CoServ provided its proof of notice and affidavit.
 36. CoServ= notice and publisher=s affidavit substantially comply with the statutory and rule requirements of notice and provide sufficient information to rate payers regarding CoServ=s statement of intent.
 37. The Examiners sent to CoServ requests for information on March 3, 2006, and on August 3, 2006.
 38. CoServ filed responses to the Examiners requests for information on May 5, 2006, and on August 30, 2006.
 39. The Examiners conducted prehearing conferences on March 21, 2006; August 31, 2006; and October 18, 2006.
 40. CoServ' proposed changes do not constitute a major change.
 41. No protest was filed with the Commission regarding the proposed tariff changes and no environs customer requested a hearing or filed a petition to intervene.
 42. The Commission used informal proceedings and no hearing was required.
 43. CoServ=s proposed tariffs will affect approximately 3,500 residential and ten customers located in environs and unincorporated areas of the Dallas Metroplex area.
 44. The following documents were admitted into the record of this case:

CoServ= original Statement of Intent filed on February 1, 2006;

CoServ= Response of August 26, 2005, to Examiners= Request for Information;

CoServ= May 5, 2006, Response to Examiners= March 3, 2006, Request for Information, as modified and re-filed by CoServ on August 31, 2006;

CoServ= Response of August 30, 2006, to Examiners= August 3, 2006, Request for Information;

CoServ= proof of notice dated August 2, 2006; and

CoServ=s Revised Rate Case Expense request provided to the Examiners during the August 31, 2006, prehearing Conference.

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45. CoServ=s settlement with the 25 municipalities did not approve specific factors that would be necessary for an interim rate adjustment under ' 104.301.
46. CoServ did not seek Commission approval of a specific rate of return on investment, depreciation expense, ad valorem taxes, revenue related taxes, federal income tax factors, or ratemaking methodology factors for the environs customers of the CoServ Distribution System were not addressed in this docket, which would be required for a future interim rate adjustment under ' 104.301.

CONCLUSIONS OF LAW

1. CoServ is a AGas Utility@ as defined in TEX. UTIL. CODE ANN. ' ' 101.003(7) (Vernon 1998 and Supp. 2006) and is therefore subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. The Commission has jurisdiction over CoServ and CoServ= Statement of Intent under TEX. UTIL. CODE ANN. ' 102.001 (Vernon 1998 & Supp. 2006) and ' 104.001 (Vernon 1998 and Supp. 2006).
3. Under TEX. UTIL. CODE ANN. ' 102.001 (Vernon 1998 & Supp. 2006), the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. Under the provisions of the TEXAS UTILITIES CODE, Chapter 104 and 16 TEX. ADMIN. CODE ' 7.205, 7.210, 7.220, and 7.315 (2002), a utility is required to seek Commission approval before increasing its rates and filing revised tariff schedules for environs customers.
5. The Statement of Intent was processed in accordance with the requirements of the Gas Utility Regulatory Act (GURA), and the Administrative Procedure Act, TEX. GOV=T CODE ANN. ' ' 2001.001 *et seq.* (Vernon 2000 & Supp. 2005) (AAPA@).
6. In accordance with TEX. UTIL. CODE ANN. ' 104.105 (Vernon 1998), the Commission used informal proceedings and no hearing was required.
7. TEX. UTIL. CODE ANN. ' 104.107 (Vernon 1998 and Supp. 2005) provides the Commission authority to suspend the operation of the schedule of proposed rates for 150 days from the date the schedule would otherwise go into effect.
8. The proposed rates did not constitute a major change as defined by TEX. UTIL. CODE ANN. ' 104.101 (Vernon 1998).
9. In accordance with TEX. UTIL. CODE ANN. ' 104.103 (Vernon 1998), 16 TEX. ADMIN. CODE ANN. ' 7.230 (2002), and 16 TEX. ADMIN. CODE ANN. ' 7.235 (2002); CoServ gave sufficient notice of its Statement of Intent to its customers.
10. CoServ=s Statement of Intent to change rates along with CoServ=s responses to the Examiner=s requests for information complied with the provisions of TEX. UTIL. CODE ANN. ' 104.102 (Vernon 1998 and Supp. 2006), 16 TEX. ADMIN. CODE ' ' 7.205, 7.210, and 7.220 (2002).

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11. CoServ=s did not seek and the Commission did not set or approve the specific factors that would be necessary for an interim rate adjustment under TEX. UTIL. CODE ' 104.301.
12. In accordance with 16 TEX. ADMIN. CODE ' 7.315 (2002), within thirty days of the effective date of any change to rates, CoServ is required to file with the Gas Services Division of the Commission its revised tariffs electronically.

IT IS ORDERED that the rates and rate design reflected in the findings of fact, conclusions of law, and in the attached tariffs, as modified, are **APPROVED**.

IT IS FURTHER ORDERED that, in accordance with 16 TEX. ADMIN. CODE ' 7.315 (2002), within thirty days of the date this Order is signed, CoServ shall file tariffs electronically with the Gas Services Division. The tariffs shall incorporate rates consistent with this Order, as stated in the findings of fact and conclusions of law, and consistent with the attached tariffs, as modified.

IT IS FURTHER ORDERED that CoServ=s rates as requested and to the extent recommended to be approved in the findings of fact and conclusions of law are **HEREBY APPROVED** to be effective for service provided and for gas delivered on and after the date of this Order.

IT IS FURTHER ORDERED that CoServ **SHALL** recover \$42,862 in rate case expenses using \$0.03686 per Ccf surcharge on all sales volumes, using a straight line amortization of expenditures on the declining balance over an approximate 12-month period, without assessment of interest.

IT IS FURTHER ORDERED that CoServ **SHALL** show rate case expenses as a separate line item on its customers= bills.

IT IS FURTHER ORDERED that CoServ **SHALL** file quarterly reports within thirty days after the end of each calendar year quarter, the first of which would be January 30, 2007, in accordance with TEX. UTIL. CODE ' 183.03. This report shall show the beginning balance, amount recovered by month by class of customer, the recovery volumes by class of customer, and the ending balance for each quarter. Each report shall be filed with the Director of the Gas Services Division of the Railroad Commission of Texas.

IT IS FURTHER ORDERED that CoServ **SHALL NOT** assess municipal franchise fees to customers located in the environs areas.

IT IS FURTHER ORDERED that CoServ **SHALL NOT** assess a miscellaneous service fee for credit cards or debit cards for an in-house payment program; but shall only assess to those customers making payment using a credit card or debit card the amount of \$3.95 per \$500.00 surcharge through an independent third party.

IT IS FURTHER ORDERED that CoServ **SHALL** include in its purchased gas factor only its reasonable and necessary gas purchase expenses. The reasonableness and prudence of CoServ=s gas purchases pursuant to its purchased gas factor may be subject to an adjustment and potential refund in a subsequent proceeding.

IT IS FURTHER ORDERED that CoServ=s lost and unaccounted for gas (LUG) calculation **SHALL NOT** collect more than the utility=s actual gas cost.

IT IS FURTHER ORDERED that CoServ=s purchased gas cost calculation shall accurately reflect the cost of gas to CoServ.

IT IS FURTHER ORDERED that CoServ **SHALL** adopt the Commission=s Quality of Service Rules.

IT IS FURTHER ORDERED that CoServ **SHALL** adopt the Commission=s Curtailment Policy.

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IT IS FURTHER ORDERED that the proposed findings of fact and conclusions of law not specifically adopted herein are **DENIED**.

IT IS FURTHER ORDERED that CoServ may begin charging the approved rates for gas delivered and service provided on and after the date of this Order. This order will not be final and appealable, however, until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission.

Pursuant to TEX. GOV'T CODE '2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until ninety days from the date the order is served on the parties.

SIGNED this 30th day of October, 2006.

RAILROAD COMMISSION OF TEXAS

/s/ _____
ELIZABETH A. JONES, CHAIRMAN

/s/ _____
MICHAEL L. WILLIAMS, COMMISSIONER

VICTOR G. CARRILLO, COMMISSIONER

ATTEST

/s/ Kim Williamson _____
SECRETARY

November 10, 2006

GAS UTILITIES DOCKET NO. 9687

**CENTERPOINT ENERGY RESOURCES CORP.
PETITION TO REVIEW AND ESTABLISH A
CITY GATE RATE AND TERMS AND
CONDITIONS OF SERVICE FOR HOUSTON
PIPE LINE COMPANY**

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§

**BEFORE THE
RAILROAD COMMISSION
OF TEXAS**

FINAL ORDER

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. CIV GOV'T CODE ANN. Chapter 551 *et seq.* (Vernon 2004 Supp.). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

1. CenterPoint Energy Resources Corp. ("CenterPoint") owns and operates natural gas distribution systems in and around the City of Houston and throughout East Texas and the Texas Gulf Coast.
2. Houston Pipe Line Company LP ("HPL") owns and operates an intrastate natural gas pipeline system serving a number of CenterPoint's gas distribution systems.
3. On July 6, 2006, CenterPoint filed with the Railroad Commission its Petition to Review and Establish a City Gate Rate and Terms and Conditions of Service for HPL.
4. CenterPoint sought the establishment of a city gate rate to ensure the availability of service to its customers at reasonable rates and terms and conditions of service after the existing supply arrangement with affiliates of HPL expires in March of 2007.
5. The Petition was docketed and noticed by service on HPL and through publication in the Commission's Gas Utilities Bulletin.
6. At the request of the parties, the examiner postponed the scheduled hearing to allow the parties an opportunity to discuss an informal resolution of the issues raised by CenterPoint's petition.
7. CenterPoint and HPL have now resolved the issues leading to the Petition by reaching a settlement agreement with storage and transportation agreements providing rates, terms, and conditions for the needed service.
8. CenterPoint and HPL advised the Commission of their settlement by the filing of the Joint Motion for Dismissal.
9. In the Joint Motion, the parties stipulate and represent that neither CenterPoint or HPL had an unfair advantage during the negotiations of the transportation and storage agreements.
10. In accordance with Commission regulations, HPL will file tariffs for the rates covering the agreed service pursuant to Tex Util. Code Ann., ' 104.003 (b)(1), stating that neither HPL nor CenterPoint had an unfair advantage during the negotiation of such agreements.

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CONCLUSIONS OF LAW

1. CenterPoint is a gas utility as defined in Tex Util. Code Ann., ' ' 101.003(7) and 121.001.
2. HPL is a gas utility as defined in Tex Util. Code Ann., ' ' 101.003(7) and 121.001.
3. The Commission has jurisdiction over the subject matter of this case under Tex. Util. Code Ann., § '102.001(a)(2) 121.151, 121.152, 121.153, and 104.003.
4. Tex. Util. Code Ann., § 104.003(b) provides that rates for transportation and similar large volume contract customers are considered just and reasonable, and shall be approved by the regulatory authority if neither the utility nor the customer had an unfair advantage during the negotiation of such agreements.
5. Based upon the settlement with the resulting agreements and the parties' stipulation meeting the standards of Tex. Util. Code Ann., § 104.003(b), the Commission concludes that the rates provided in such agreements should be accepted as just and reasonable.
6. Further, the Commission concludes that the parties' requested action as urged in the Joint Motion for Dismissal is an appropriate resolution of this proceeding.

ORDER

IT IS ORDERED THAT the Joint Motion for Dismissal be granted and the CenterPoint Petition is hereby dismissed without prejudice.

IT IS FURTHER ORDERED that HPL shall file tariffs for its storage and transportation services to be provided to CenterPoint and that, based on the parties' stipulation and HPL's statement in the tariff that neither party had unfair bargaining, the rates for these services shall be accepted and considered to be just and reasonable pursuant to Tex. Util. Code Ann., § 104.003(b).

SIGNED this 30th day of October, 2006.

RAILROAD COMMISSION OF TEXAS

/s/
ELIZABETH A. JONES
CHAIRMAN

/s/
MICHAEL L. WILLIAMS
COMMISSIONER

VICTOR G. CARRILLO
COMMISSIONER

ATTEST

/s/ Kim Williamson

November 10, 2006

SECRETARY

RAILROAD COMMISSION OF TEXAS

**STATEMENT OF INTENT FILED BY T & L GAS CO.
TO CHANGE RATES IN THE UNINCORPORATED
RURAL AREA OF CONROE, TEXAS IN
MONTGOMERY COUNTY.**

GAS UTILITIES DOCKET NO. 9703

SUSPENSION ORDER

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time provided by law pursuant to TEX. GOV=T CODE ANN. Chapter 551 (Vernon 1994 and Supp. 2005).

On October 6, 2006, T & L Gas Co. (T & L) filed with the Railroad Commission of Texas (Commission) a statement of intent to change rates in the Unincorporated Rural Area of Conroe, Texas in Montgomery County. T & L has proposed that the rates become effective on November 1, 2006.

The Commission has the authority to suspend the proposed rates for a period of one hundred fifty (150) days from the date on which the rates would otherwise become effective, under TEX. UTIL. CODE ANN. ' 104.107(a)(2) (Vernon 1998 and Supp. 2005). The Commission requires further time to consider the propriety of the proposed rate schedule change. A Commission order is necessary to suspend the operation of the proposed rate schedules for a period of one hundred fifty (150) days from the date on which the schedules would otherwise become effective.

IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS that the rates proposed in the statement of intent filed by T & L are hereby **SUSPENDED** for a period of one hundred fifty (150) days from the date the rates would otherwise go into effect.

SIGNED this 30th day of October, 2006.

RAILROAD COMMISSION OF TEXAS

/s/

ELIZABETH A. JONES, CHAIRMAN

/s/

MICHAEL L. WILLIAMS, COMMISSIONER

VICTOR G. CARRILLO, COMMISSIONER

ATTEST:

/s/ Kim Williamson
SECRETARY

November 10, 2006

SECTION 6
MISCELLANEOUS

STEPHEN L. PITNER, GAS SERVICES DIVISION DIRECTOR

1. OFFICE OF THE DIRECTOR

A. Publications

1. Texas Utilities Code Titles 3 and 4. Now available at the State of Texas' website at:
<http://www.capitol.state.tx.us/statutes/uttoc.html>

Special Rules of Practice and Procedure and Substantive Rules. Now available thru the Commission's Website at:
[http://info.sos.state.tx.us/pls/pub/readtac\\$ext_ViewTAC?tac_view=4&ti=16&pt=1&ch=7](http://info.sos.state.tx.us/pls/pub/readtac$ext_ViewTAC?tac_view=4&ti=16&pt=1&ch=7)
2.
 - a. Annual Report for Fiscal Year 2004 – Now available via the Commission's website at:
<http://www.rrc.state.tx.us/divisions/gs/TABLECON04.htm>
 - b. Annual Report for Fiscal Year 2003 – Now available via the Commission's website at:
<http://www.rrc.state.tx.us/divisions/gs/tablecontents03.html>
 - c. Annual Report for Fiscal Year 2002 – Now available via the Commission's website at:
<http://www.rrc.state.tx.us/divisions/gs/tablecontents02.html>
 - d. Annual Report for Fiscal Year 2001 – available via the Commission's website at:
<http://www.rrc.state.tx.us/divisions/gs/tablecontents01.html>
 - e. Annual Report for Fiscal Year 2000 - \$17.00 (includes statistical data for 1999)
 - f. Annual Report for Fiscal Year 1999 - \$9.00 (includes statistical data for 1998)
 - g. Annual Report for Fiscal Year 1998 - \$7.00 (includes statistical data for 1997)
3. Six MCF Monthly Residential Gas Bill Analysis for Twenty-five Texas Cities - \$2.00 – Now available via the Commission's website at:
<http://www.rrc.state.tx.us/divisions/gs/rap/sixmcf.html>

Anyone who wishes to obtain a copy of any of the publications or maps listed in Section A should contact the Central Records Section at 512-463-6887 OR 512-463-6882 P. O. Box 12967, Austin, Texas 78711-2967.

B. Interest Rate on Customer Deposits

We have been advised by the Public Utility Commission that the interest rate to be applied to customer deposits in calendar year 2006 is 3.09%. All gas utilities should use 6% through December 31, 2005 and use 3.09% effective January 1, 2006.

November 10, 2006

2. UTILITY AUDIT SECTION**A. Maintains headquarters and three district offices as follows:**

Headquarters - William B. Travis Building

1701 North Congress, P. O. Box 12967, Austin, Texas 78701

Ed Abrahamson, Director, Utility Audit Section

Shannon Miller, Program Specialist

Pearl Rodriguez, Program Specialist

Rachel Hampton, Administrative Assistant

Telephone (512) 463-7022

Fax (512) 475-3180

Dallas District- 1546 Rowlett Rd., Suite 107, Garland, Texas 75043

Telephone (972) 240-5757

Fax (972) 303-1897

Yolandra Davis, Auditor

Josh Settle, Auditor

Austin District- P. O. Box 12967, Austin, Texas 78711-2967

Telephone (512) 463-7022

Fax (512) 475-3180

Stephen Cooper, Senior Auditor

Houston District- 1706 Seamist Drive. Suite 501

Telephone (713) 869-8425

Houston, TX 77008-3135

Fax (713) 869-3219

Margie Stoney, Senior Auditor

Larry Alcorn, Auditor

Dale Francis, Auditor

Bryan L. Sparkman, Auditor

Konata Uzoma, Auditor

B. Gas Utility Tax, Annual Reports and Audit Reports

1. Questions relating to gas utility tax, call Rachel Hampton at (512) 463-7022.
2. Questions relating to annual reports, call Rachel Hampton or Pearl Rodriguez at (512) 463-7022.
3. Inquiries relating to audit reports, call Pearl Rodriguez at (512) 463-7022.

C. Available Information

Copies of gas utility annual reports (1999 to present), as well as information relating to any of the above, A through C, are available for review at the William B. Travis Building, Gas Services Division, 9th Floor, 1701 North Congress. All requests for copies must be made in writing and should be addressed to the Audit Section. Copies will be provided for a fee, depending on the volume of copy work desired, allow a minimum of five days for completion of requests. Inquiries regarding copies should be directed to the Audit Section at (512) 463-7022, or Fax your request to (512) 475-3180.

3. MARKET OVERSIGHT**A. Maintains the following office to assist you:**

Headquarters - William B. Travis Building

1701 North Congress, P.O. Box 12967, Austin, Texas 78711

William O. Geise, Director

Telephone (512) 463-7164

B. Gas Utilities Information BulletinPublished on the Commission's web site at: <http://www.rrc.state.tx.us/divisions/gsap/rapbls.html>**C. Proposals For Decision**Published on the Commission's web site at: <http://www.rrc.state.tx.us/divisions/gsap/pfds.html>

November 10, 2006

D. Tariff Filings

Questions pertaining to the filing of tariffs and/or quality of service rules should be directed to Kathy Arroyo, Yolanda Lovelace or Marie Blanco at (512) 463-7167.

E. Curtailments

Curtailment questions should be referred to (512) 463-7167. Curtailment reports made Monday through Friday, 8:00 a.m. to 5:00 p.m., should be made to (512) 463-7167. Curtailment reports made during hours other than those specified above and holidays, should be made to (512) 463-6788.

F. Compliance Filings

Questions regarding gas utilities docket compliance filing requirements should be referred to Mark Brock at (512) 463-7164.

G. Complaints and Inquiries

All complaints and inquiries relating to the gas utility industry should be directed to the Market Oversight Section at (512) 463-7164.

H. Pending RRC Rules and Regulations:

GUD No. 9277 Amendments to §7.305 Curtailment Rule

4. HEARINGS AND LEGAL ANALYSIS**A. Miscellaneous**

Anyone wishing to obtain copies of appendices to Orders appearing in Section 5 of this Bulletin should contact the Legal Division at (512) 463-7017.

B. Status of Pending Cases

The status of all pending cases listed in Section 3 of this Bulletin is for informational purposes only and is complete up to the time of printing of this Bulletin. For a more accurate status of pending cases, please call the Legal Division at (512) 463-7017.